

for which a qualifying hospital may obtain a loan are limited to the reasonable costs incurred by the hospital, and capitalized on the Medicare cost report, for any facility or item of equipment that it has acquired the possession or use of at the time the loan funding is awarded.

(b) *Selection criteria.* In selecting loan recipients, CMS prioritizes qualifying hospitals that meet the following criteria:

(1) The hospital is located in a State that, based on population density, is defined as a rural State. A rural State is one of ten States with the lowest population density. An applicant entity is required to be located in one of these ten States. The ten States are prioritized beginning with the State with the lowest population density. Population density is determined based on the most recent available U.S. Census Bureau data.

(2) The hospital is located in a State with multiple Indian tribes in the State. After prioritizing based on paragraph (b)(1) of this section, States are further prioritized based on the States with the most Indian tribes. The number of Indian tribes in a State is based on the most recent data available published in “Indian Entities Recognized and Eligible to Receive Services from the United States Bureau of Indian Affairs.” (68 FR 68180) published on December 5, 2003.

(c) CMS will send written notice to qualifying hospitals that have been selected to participate in the loan program under this part.

§ 505.7 Terms of the loan.

All loan recipients must agree to the following loan terms:

(a) *Loan obligation.* An authorized official of a qualifying hospital must execute a promissory note, loan agreement, or a form approved by CMS and accompanied by any other documents CMS may designate. The loan recipient must provide required documentation in a timely manner.

(b) *Schedule of loan.* A loan recipient receives a lump sum distribution for which payment of principal and interest is deferred for 60 months beginning with the day of award notification

from CMS. The loan repayment period is 20 years.

(c) *Bankruptcy protection.* In the event a loan recipient files for bankruptcy protection in a court of competent jurisdiction or otherwise proves to be insolvent, CMS may terminate the deferment period described in paragraph (b) of this section and require immediate payment of the loan. If a loan recipient should file for bankruptcy protection in a court of competent jurisdiction or should otherwise evidence insolvency after the deferment period we will require immediate repayment of the outstanding principal and interest due. Those payments may be deducted from any Medicare payments otherwise due that hospital.

(d) *Loan forgiveness.* CMS does not require a loan recipient to begin making payments of principal or interest at the end of the 60-month deferment period if it determines that the loan recipient meets the criteria for loan forgiveness under section 1897 of the Act, as determined by the Secretary.

(e) *Default.* If a loan recipient fails to make any payment in repayment of a loan under this subpart within 10 days of its due date, the loan recipient may be considered to have defaulted on the loan. Upon default, all principal and accrued interest become due immediately, and CMS may require immediate payment of any outstanding principal and interest due. Those payments may be deducted from any Medicare payments otherwise due that hospital.

(f) *Loan repayment.* The loan recipient must meet the following conditions:

(1) Make payments every month for 20 years until the loan, including interest payments, are paid in full.

(2) Pay interest on the unpaid principal until the full amount of principal has been paid.

(3) Pay interest at a yearly rate based upon the rate as fixed by the Secretary of the Treasury and set forth at 45 CFR 30.13(a).

(4) If a loan recipient fails to make any payment in repayment of a loan under this subpart within 10 days of its due date, that payment may be deducted from any Medicare payments otherwise due to the recipient.

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(g) *Interest rate and monthly payment charges.* CMS calculates interest charges and payments consistent with § 405.378 of this chapter.

(h) *Loan recipient's right to prepay.* A loan recipient has the right to make payments of principal at any time before they are due. A loan recipient may make full prepayment or partial prepayment without paying any prepayment charge. If a prepayment is made, the loan recipient must provide written notice to CMS at CMS, Division of Accounting Operations, P.O. Box 75120, Baltimore, MD 21207-0520.

§ 505.9 State and local permits.

With respect to an eligible project, the provision of a loan under this part shall not—

(a) Relieve the recipient of the loan or any obligation to obtain any required State or local permit or approval with respect to the project.

(b) Limit the right of any unit of State or local government to approve or regulate any rate of return on private equity invested in the project.

(c) Supersede any State or local law (including any regulation) applicable to the construction or operation of the project.

§ 505.11 Loan application requirements and procedures.

(a) The loan application must be received by CMS no later than 5 p.m. e.d.t. on December 29, 2005.

(b) The requested information must be typed or clearly printed in ink and the loan recipient must mail or deliver an original copy of the loan to CMS. The loan application must contain the following information:

(1) Qualifying hospital's name and street address.

(2) Qualifying hospital's Medicare provider number.

(3) Name, title, and telephone number of a contact person submitting the application.

(4) Provide all appropriate supporting documentation for each answer made on the loan application.

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Subpart B—Forgiveness of Indebtedness

SOURCE: 71 FR 48144, Aug. 18, 2006, unless otherwise noted.

§ 505.13 Conditions for loan forgiveness.

The Secretary may forgive a loan provided under this part if the qualifying hospital—

(a) Has been selected to participate in the loan program specified in § 505.5(c).

(b) Has established the following in accordance with a plan that meets the criteria specified in § 505.15:

(1) An outreach program for cancer prevention, early diagnosis, and treatment that provides services to a substantial majority of the residents of a State or region, including residents of rural areas;

(2) An outreach program for cancer prevention, early diagnosis, and treatment that provides services to multiple Indian tribes; and

(3) Unique research resources (such as population databases) or an affiliation with an entity that has unique research resources.

(c) Submits to CMS, within the time-frame specified by the Secretary, a—

(1) Written request for loan forgiveness; and

(2) Loan forgiveness plan that meets the criteria specified in § 505.15 of this subpart.

§ 505.15 Plan criteria for meeting the conditions for loan forgiveness.

The qualifying hospital requesting loan forgiveness must submit to CMS a plan specifying how it will develop, implement, or maintain an existing outreach program for cancer prevention, early diagnosis, and treatment for a substantial majority of the residents of a State or region, including residents of rural areas and for multiple Indian tribes and specifying how the qualifying hospital will establish or maintain existing unique research resources or an affiliation with an entity that has unique research resources.

(a) *Outreach programs.* The initial plan must specify how the hospital will establish or develop, implement, or